

# Homestead Preservation District

## Policy and Program Overview

Community Development Commission  
Housing Committee

April 12, 2016

Presentation By:

Neighborhood Housing and Community Development



# Presentation Goals

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- I. **What is the Homestead Preservation District legislation?**
- II. **Review the history of the Homestead Preservation District legislation and City of Austin actions**
- III. **What is the eligibility criteria for Homestead Preservation Districts?**
- IV. **Overview of established districts**
- V. **How do the Homestead Preservation tools work?**
- VI. **Ongoing HPD activities**



# Important Acronyms

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HPD = Homestead Preservation District

HPRZ = Homestead Preservation Reinvestment Zone

TIRZ = Tax Increment Reinvestment Zone

TIF = Tax Increment Financing

CLT = Community Land Trust

# What is the HPD legislation?

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Legislation first passed in 2005 that created Chapter 373A, Local Government Code intended to:

- **Increase homeownership**
- **Provide affordable housing**
- **Prevent the involuntary loss of homesteads by existing low and moderate-income homeowners**



# HPD legislation Affordable Housing Tools

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## Homestead Preservation Reinvestment Zone:

Allows the use of tax increment financing (TIF) to finance the creation and preservation of affordable housing in the district.

## Homestead Land Bank Program:

Allows the City of Austin to operate a Land Bank program, through which vacant properties subject to tax foreclosure are made available for affordable housing.

## Homestead Land Trust:

Allows Council to designate one or more community land trusts to operate within the district and access TIF funds. Austin Housing Finance Corporation, Travis County Housing Finance Corporation and PeopleTrust are designated by City Council to operate as HPD Land Trusts.



# HPD Legislation and Actions

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2005 **Homestead Preservation District & Reinvestment Zone introduced to Texas Legislature by Representative Eddie Rodriguez**

2007 **City Council established the original Homestead Preservation District**

2013 **HB 3350 passed with revised HPD criteria**

2013 **City of Austin staff identify eligible districts**



# HPD Legislation and Actions

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- 2014** HPD report on implementation strategies conducted by NHCD and consultants. New HPDs and TIRZ recommended
- 2015** City Council establishes HPDs B, C, and D as well as a TIRZ in HPD A
- 2015** City Council Resolution No. 20151217-079 directing the City Manger to allocate funds to the Housing Trust Fund to be invested in HPDs
- 2016** City Council Resolution No. 20160225-067 directing the City Manger to identify new eligible HPDs

# HPD Eligibility Criteria

1. Each census tract must have a MFI less than 80% COA MFI
2. The HPD must be composed of contiguous census tracts
3. The potential district must have fewer than 75,000 residents
4. The overall poverty rate for the HPD must be twice City of Austin Poverty Rate
5. Spatially compact area

Example*:		
	City of Austin	HPD criteria
Median Family Income (MFI)	\$76,663	Less than 80% COA MFI (>\$61,330)
Poverty Rate	18.5%	2x COA Poverty Rate (40.6)

\*Analysis based on data provided by the U.S. Census Bureau American Community Survey 2014 1yr Estimates

# Additional Recommended HPD Eligibility Criteria

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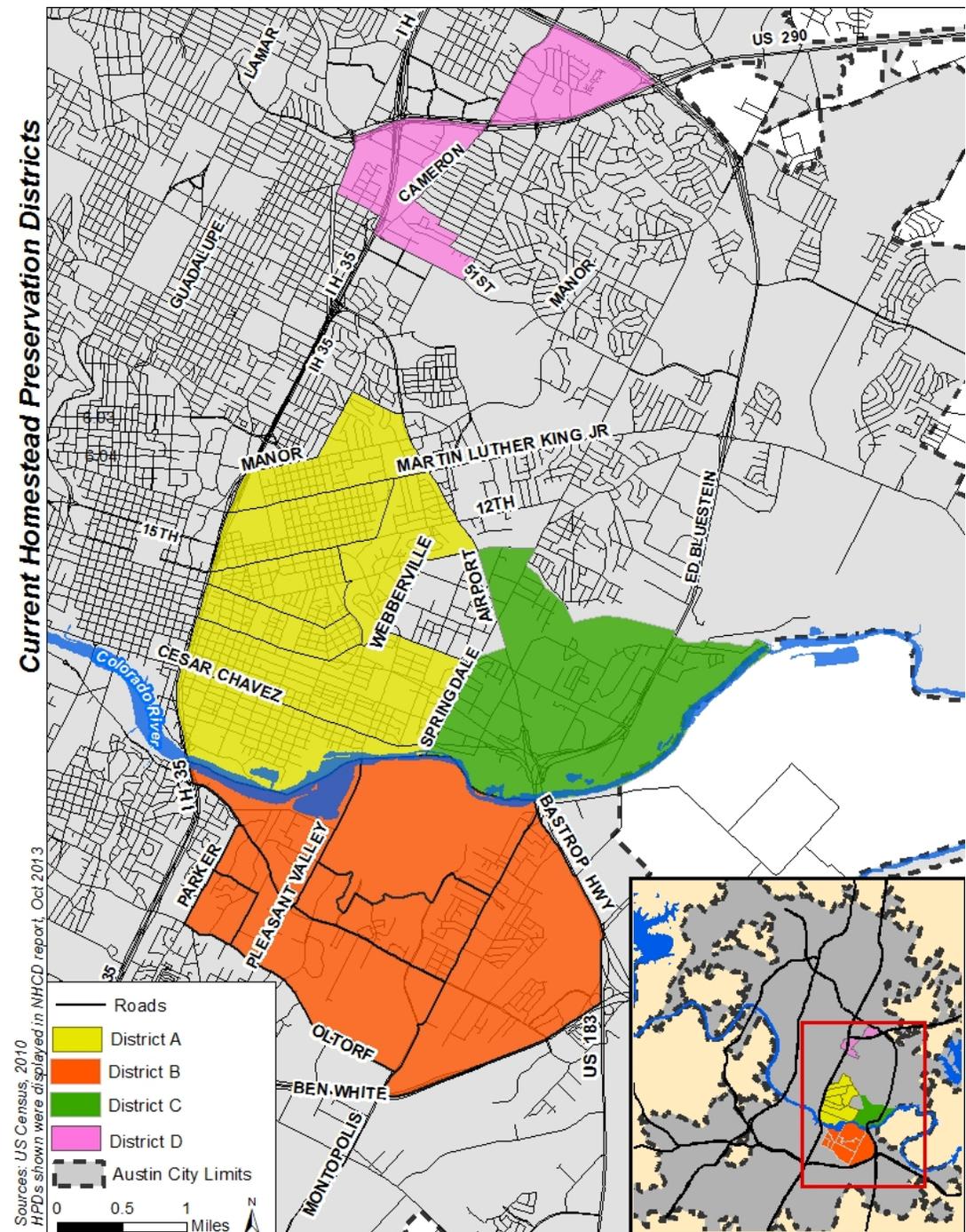
The 2014 Homestead Preservation District and Tax Increment reinvestment Zone analysis conducted by Economic & Planning Solutions recommended that:

**Not more than 50% of the Homestead Preservation District population is enrolled in college or graduate school**

# City of Austin Established HPDs

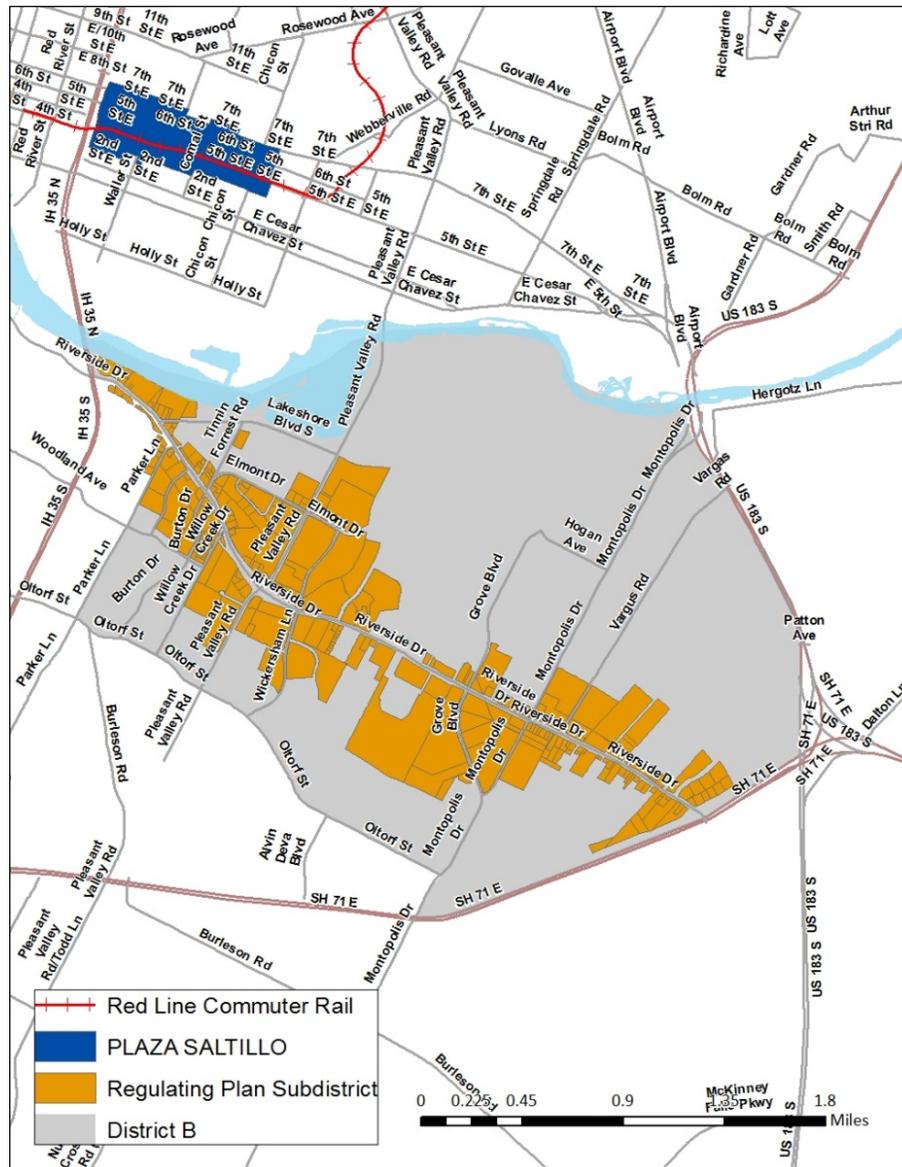
The City of Austin currently has four established Homestead Preservations Districts:

- District A established in 2007
- Districts B, C, and D established in 2015



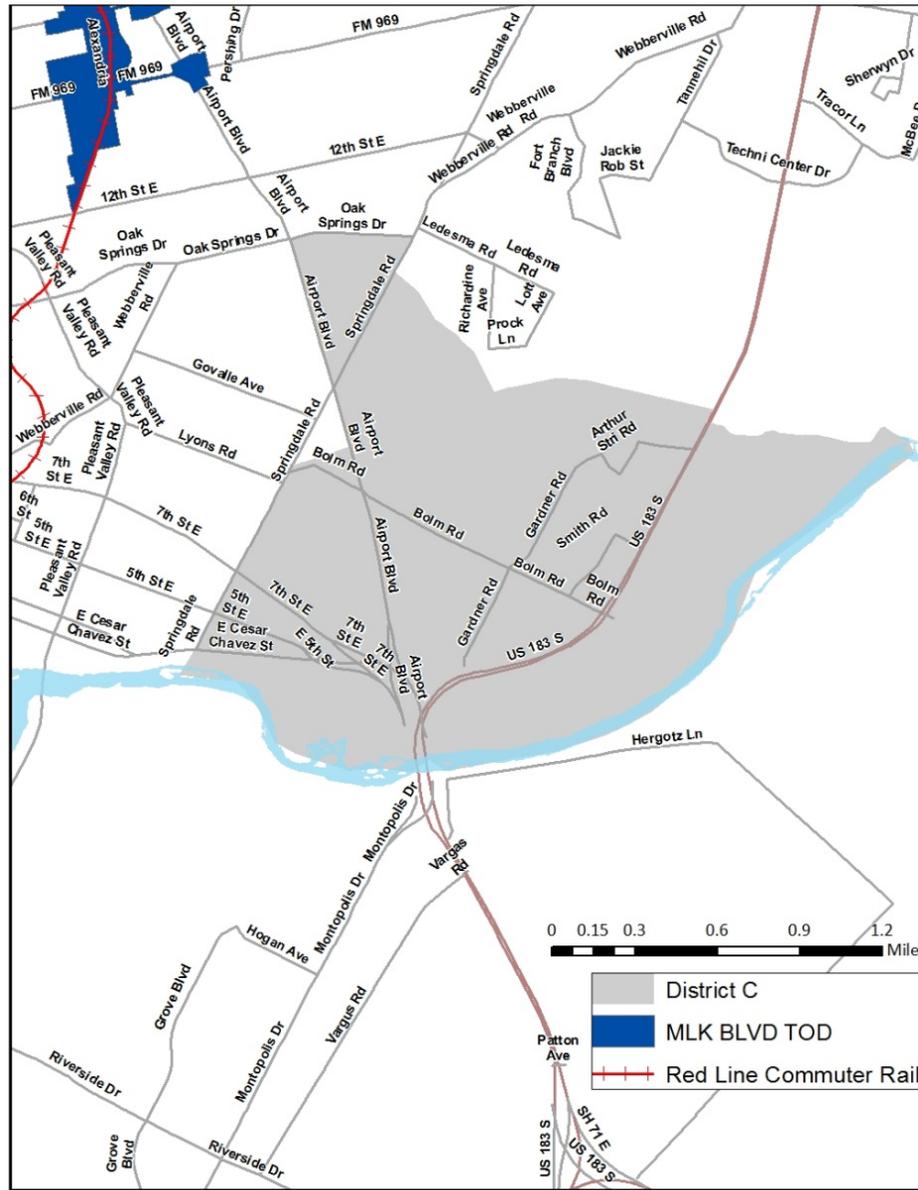


# HPD District B



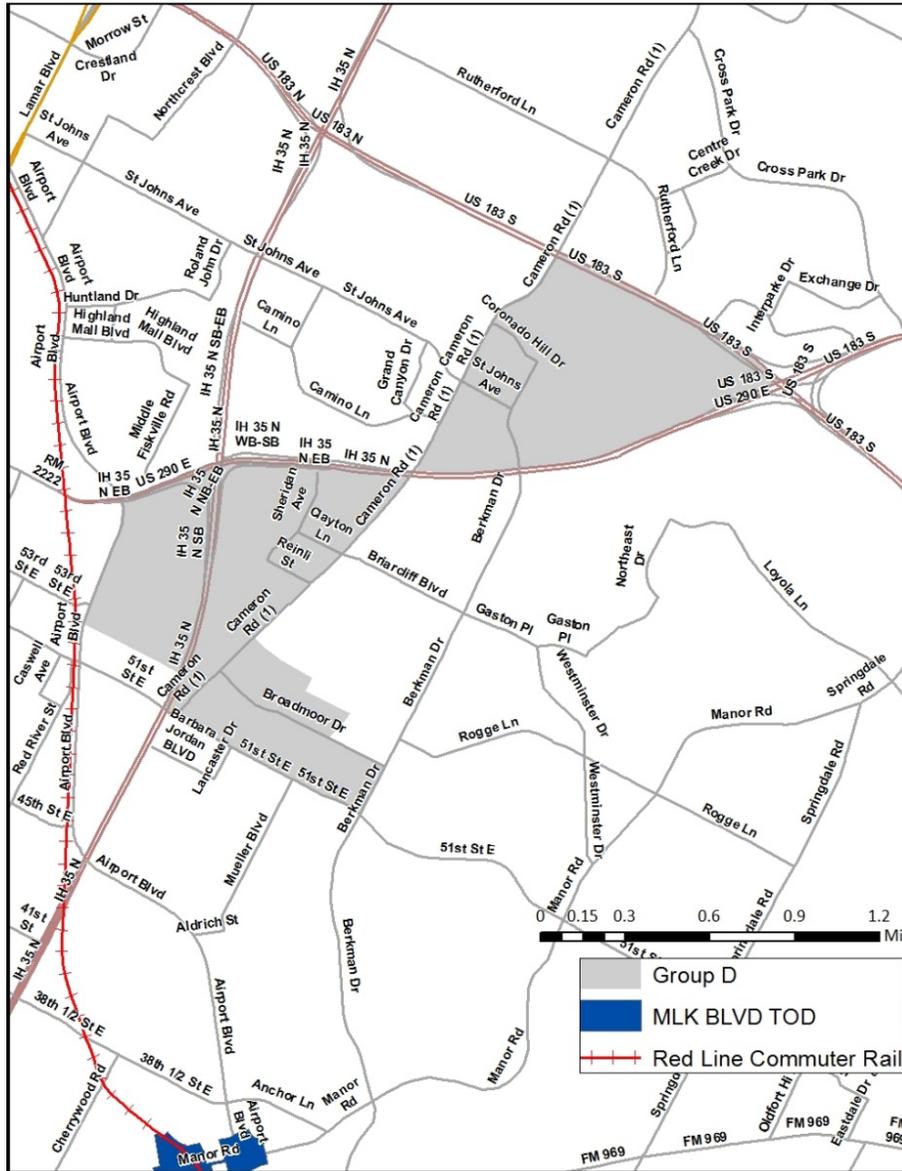
- Total population of 35,486
- Overall poverty rate of 43.61 %
- East Riverside Corridor planning area
- Montopolis, Pleasant Valley, and the majority of the Riverside Neighborhood Planning Areas.
- City Council District 3

# HPD District C



- Total population of 4,354
- Overall poverty rate of 41.57 %
- Johnston Terrace Neighborhood Planning Area, and portions of the Govalle Neighborhood Planning Area.
- City Council Districts 1 & 3

# HPD District D



- Total population of 8,334
- Overall poverty rate of 44.32 %
- Coronado Hills, North Loop, and Windsor Park Neighborhood Planning areas.
- City Council Districts 1 & 4



# HPD Land Bank

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Allows the City of Austin to operate a Land Bank program within a Homestead Preservation District, through which vacant properties subject to tax foreclosure are made available for development of affordable housing.

- **Property ordered to be sold pursuant to tax foreclosure may be sold in a private sale for the amount of the judgment to the Land Bank.**

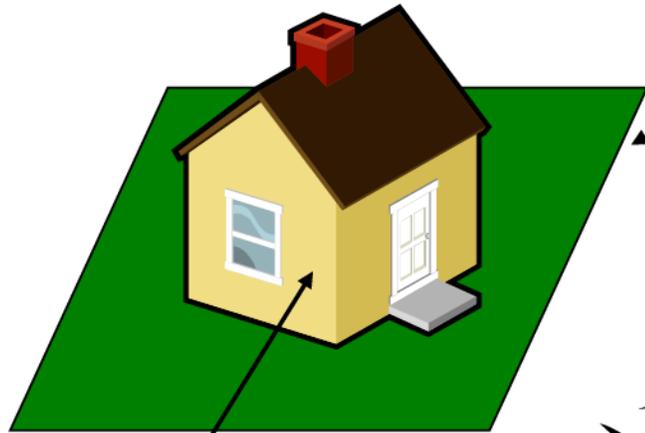
# HPD Community Land Trust

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The purpose of the CLT Program is to increase the supply of permanently affordable homes for low- and moderate-income households, increasing homeownership opportunities.

- **CLT homebuyers purchase only the house and will enter into a long term agreement to lease the land.**
- **CLTs make homeownership affordable for today's homebuyers by taking the cost of the land out of the real estate transaction, making the homes more affordable than houses on the open real estate market.**

# Community Land Trusts: *How do they work?*



Buildings (residential or commercial) are owned by individuals. Because they pay only for the structure, and not the underlying land, purchasing the building is more affordable.

Land is owned by the Community Land Trust, which is governed by a non-profit board.



A 99-year ground lease between CLT and owner ensures owner-occupancy and responsible use and outlines fees paid to the CLT.

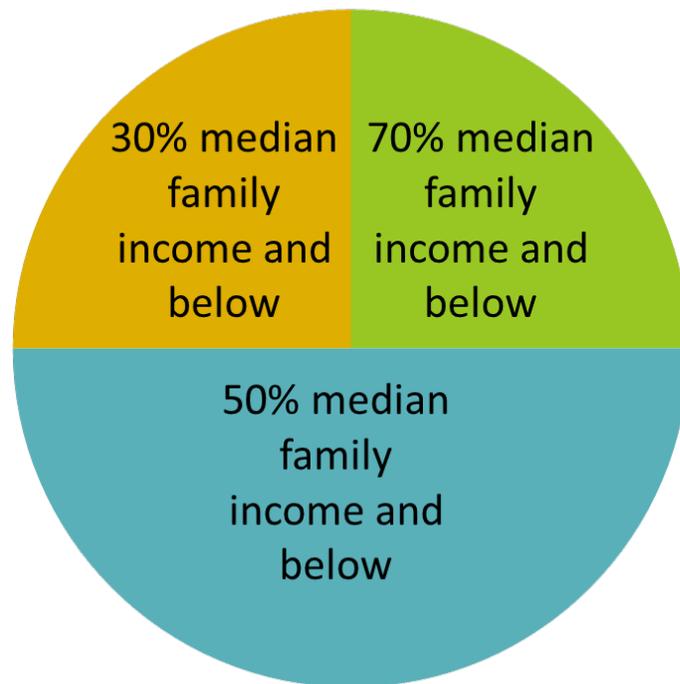
A resale formula built in to the ground lease is designed to keep homes affordable for subsequent buyers.



# HPD Tax Increment Reinvestment Zone

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## TIRZ Reinvestment Requirements

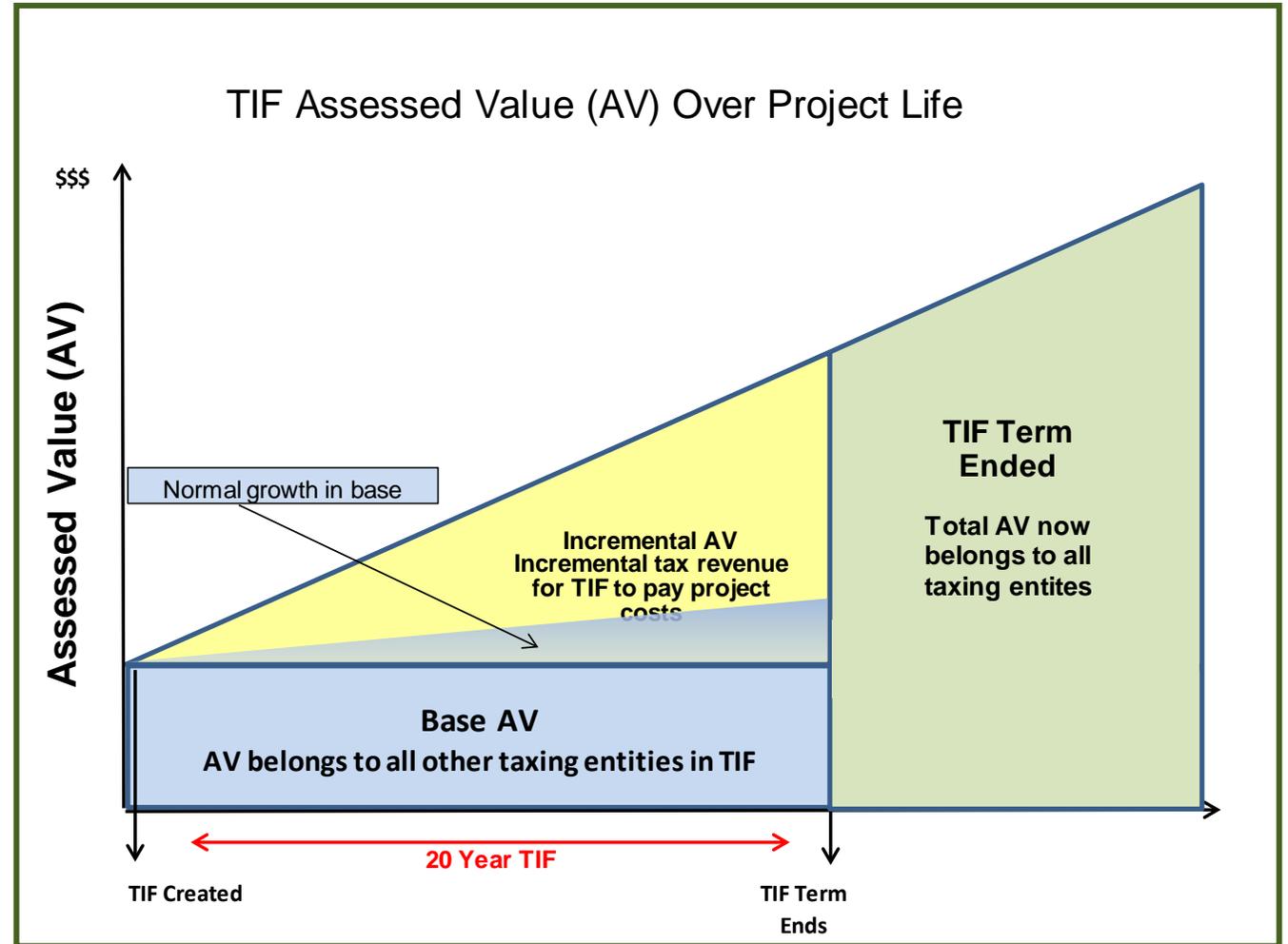


Utilizes a Tax Increment Financing model to provide a dedicated funding stream to be reinvested in the Homestead Preservation District to finance the creation and preservation of affordable housing in the district.

**\* Revenue from the TIRZ must be reinvested within the zone \***

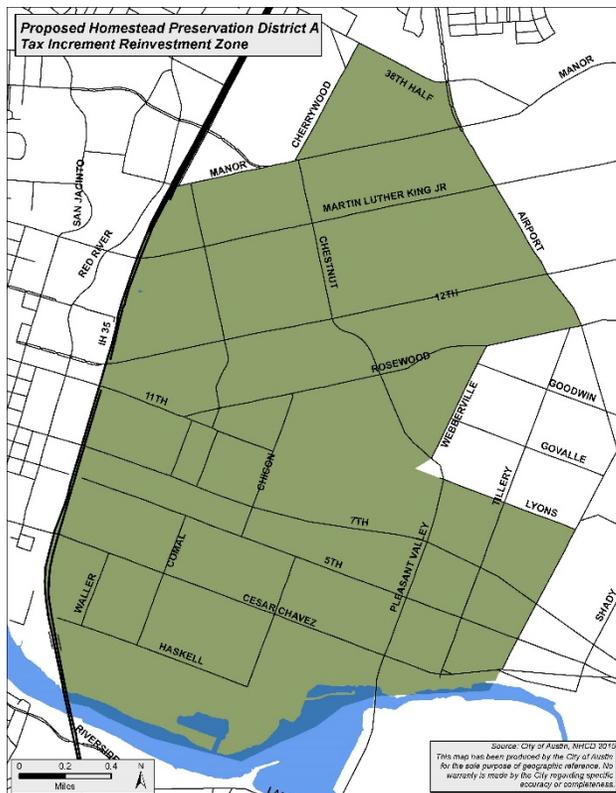
# Tax Increment Financing (TIF)

- Popular financing tool to encourage economic development within a defined geographic area or zone
  - Various Texas Code sections allow reinvestment zones
- **Purpose** - set aside property tax revenues due to assessed valuation growth in zone to use for specific purposes in zone
  - Usually public investments that stimulate economic development



# HPD Tax Increment Reinvestment Zone

## City of Austin Homestead Preservation District Tax Increment Reinvestment Zone Number One was established by ordinance in 2015



- Zone No. 1 boundaries mirror HPD A boundaries
- Zone effective as of December 2015 (will terminate in 2025)
- 10% of the increment will go into the Tax Increment Fund
- Projected Incremental Tax Revenue for Zone No. 1
  - ~\$100,000 in year 1 (Fiscal year '17)
  - ~\$5.6 million cumulative 10yrs

# Council Resolution No. 20151217-079

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*Amends City Council Resolution NO. 000907-72 to increase the percentage of revenue dedicated to the Housing Trust Fund (HTF) derived from development built on formerly-owned City property from 40% to 100%:*

- *40% will maintain the existing allocation to the HTF*
- ***40% shall be applied to providing affordable housing in homestead preservation districts***
- *20% shall be applied to providing affordable housing development in high opportunity areas, which are areas with access to education, economic mobility, housing, and transportation*



# Council Resolution No. 20160225-067

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## ***Direction from City Council:***

The City manager is Directed to finalize analysis of the 2013 US Census data, or more updated data, to determine all new potential HPDs that could be created:

The City Manager is directed to draft ordinances to designate all new potential HPDs to the City Council and to present recommendations on which of the new potential districts should be created.

The Council request that the Community Development Commission consider and potentially recommend best uses of HPD funds and tools to promote economic integration and combat gentrification.

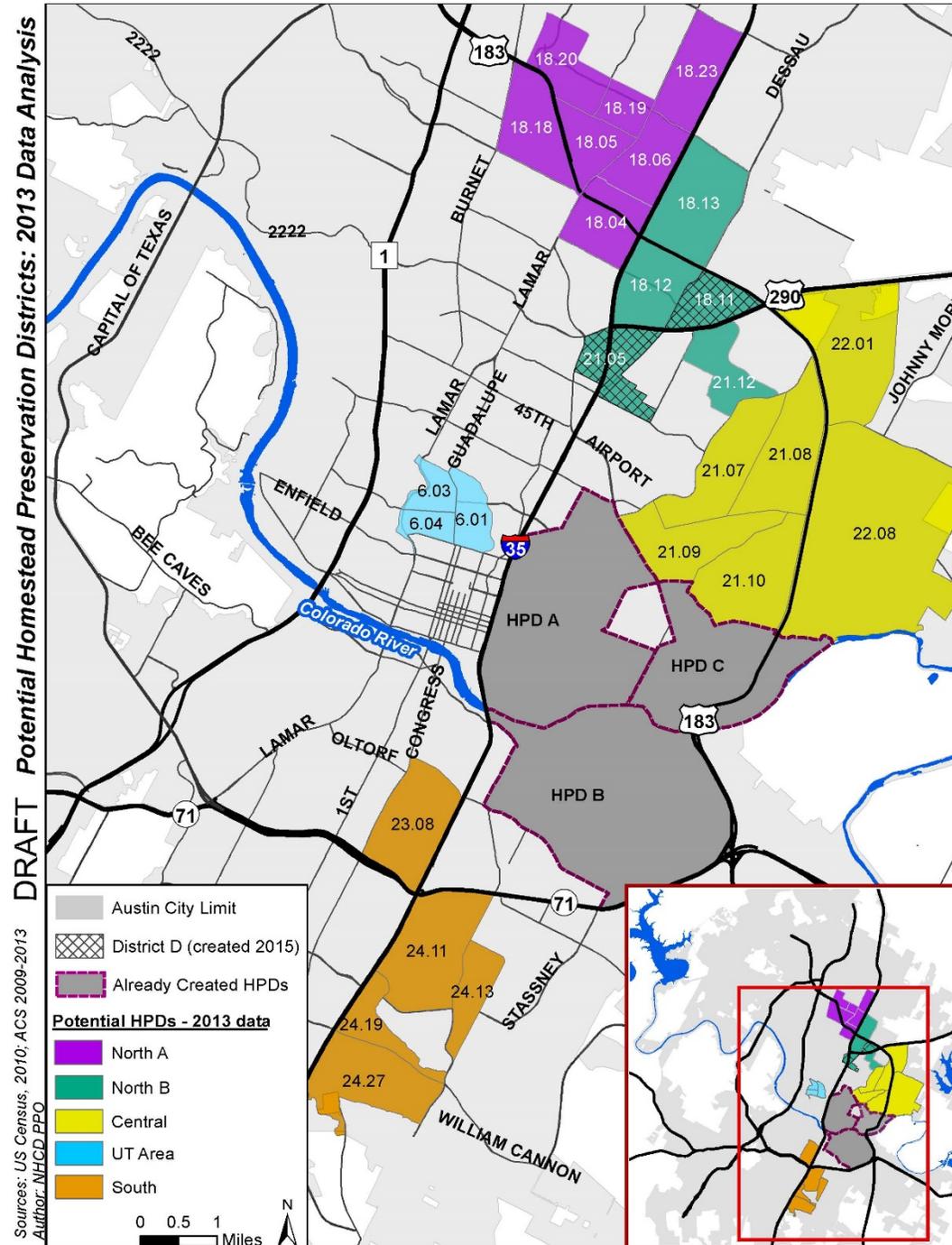
# Council Resolution No. 20160225-067

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## ***Response to Council Direction:***

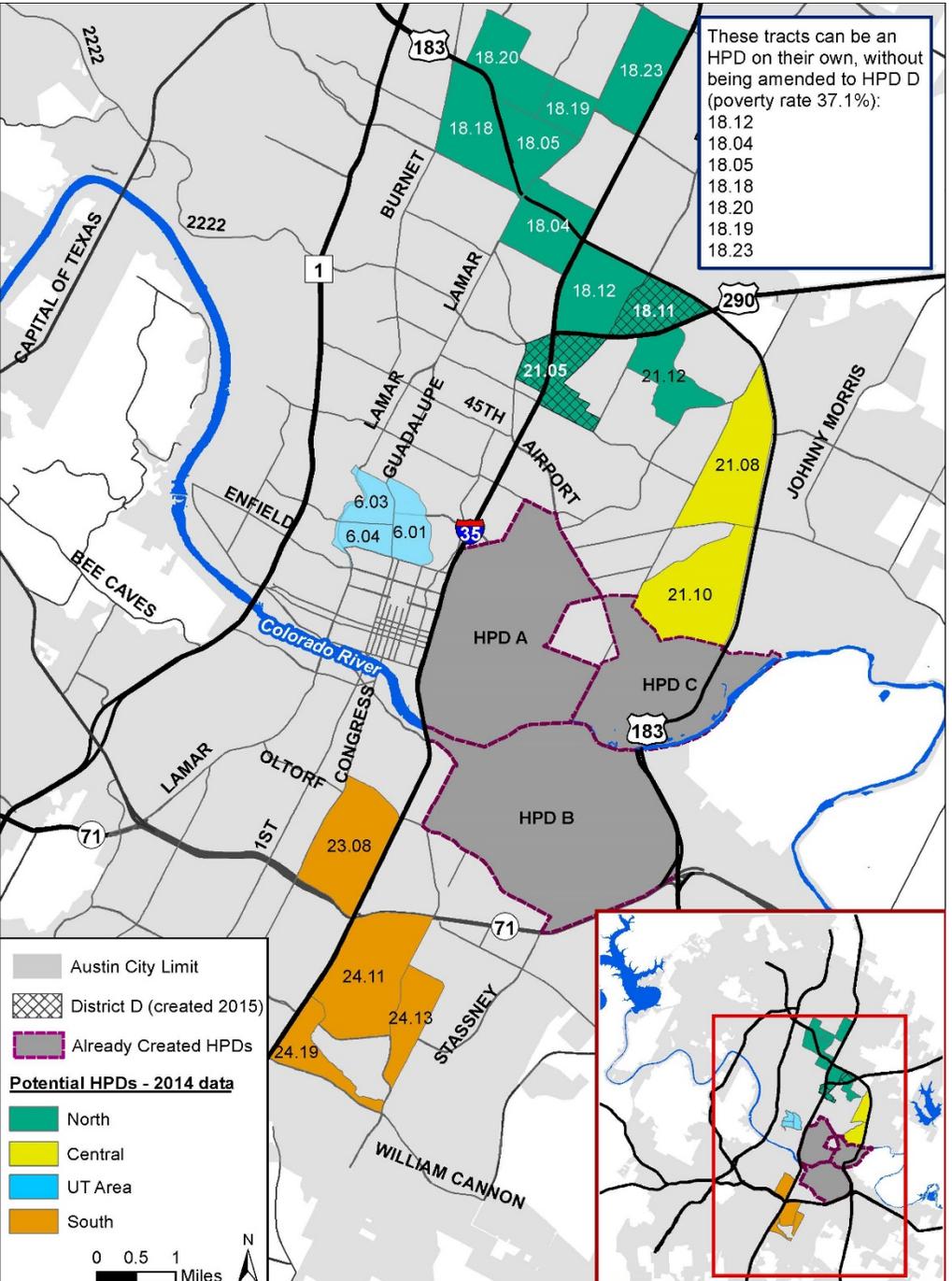
- *Staff identified eligible HPDs based on 2013 and 2014 US Census data*
- *2013 data allows for more census tracts to be included in HPDs*
- *City of Austin MFI and Poverty Rate both increased from 2013 to 2014*
- ***Preliminary results and recommendations will be presented to the City Council Housing and Community Development Committee April 13<sup>th</sup>***
- *Staff will bring ordinances for establishing new HPDs to the full City Council in May*
- *Staff will consider feedback gathered through the Housing Plan and Action Plan process when making recommendations for use of HPD funds (currently no HPD funds exist as the TIRZ was only established in December 2015)*

# DRAFT Eligible HPDs: 2013 Census Data



# DRAFT Eligible HPDs: 2013 Census Data

DRAFT Potential Homestead Preservation Districts: 2014 Data Analysis  
 Sources: US Census, 2010; ACS 2010-2014  
 Author: NHCD PPO



# Learn More About HPDs!

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City of Austin

## Neighborhood Housing and Community Development

For more information please refer to the following reports which can be found at <http://austintexas.gov/departments/housing> :

[Homestead Preservation Districts Report: Resolution No. 20140213-044, Dec. 5, 2014](#)

[Homestead Preservation District Report, November 20, 2013](#)

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